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S E C R E T SECTION 01 OF 04 BAGHDAD 002991

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NOFORN

E.O. 12958: DECL: 1.6X6

TAGS: [PREL](#) [PGOV](#) [EFIN](#) [MOPS](#) [KISL](#) [SY](#) [JO](#) [IZ](#) [IR](#)

SUBJECT: DEPUTY SECRETARY ZOELICK'S MEETING WITH IRAQI
PRIME MINISTER JAFARI

REF: BAGHDAD 2933

Classified By: Charge d' Affaires David M. Satterfield for reasons 1.4
(b) and (d)

1. (S/NF) Summary: Prime Minister Jafari reiterated to the Deputy Secretary that security conditions on the ground, and not terrorist demands, should determine the manner of withdrawal of Coalition forces. The Deputy Secretary agreed and noted approvingly the Prime Minister's naming of an Iraqi official with whom the U.S. could begin elaborating these conditions. He also urged the Prime Minister to help enable an independent Iraqi judiciary to take over and review the cases of detainees now under Coalition control. Jafari sought American help with neighboring Sunni Arab states that support terrorism in Iraq. He said he was getting messages from Syria that the Syrians would change their policy on Iraq and they wanted the Prime Minister to visit. However, Jafari would not visit Damascus until he sees concrete measures from the Syrians in terms of halting media incitement against Iraq, controlling the borders and cracking down on former Iraqi regime elements in Syria. Jafari also sought help in arranging visits to Egypt and Saudi Arabia.

2. (S/NF) Summary Continued. The Deputy Secretary cautioned that the Syrians excel at offering minimal concessions, and he urged the Prime Minister to hold out for the best deal possible. He also cautioned the Prime Minister to ensure that agreements signed with the Iranians be clearly in the favor of Iraq to ensure the Iraqi Government's own credibility. On the constitution, Jafari opined that the Iraqis would come to a deal, including most of the Sunni Arabs on the committee. The Deputy Secretary noted the importance of sticking to the timeline in the transition law, as the issues would not get easier with a delay. On the economy, Jafari said he anticipated the Iraqi government budget deficit would grow. The Deputy Secretary cautioned against fiscal slippage as the year goes forward and said the IMF and World Bank were ready to help Iraq if Baghdad could develop a good plan on the use of oil revenues. End Summary.

3.(SBU) Participants

U.S.
Deputy Secretary Robert Zoellick
Charge d'Affaires David Satterfield
NSC Senior Director Meghan O'Sullivan
D Executive Assistant Ambassador Ross Wilson
S/I Deputy Director Robert Deutsch
Adam Ereli, PA
Political Counselor Robert Ford (notetaker)

Iraq:
Prime Minister Jafari
Prime Minister Chief of Staff Mohammed Tamimi
Prime Minister advisor Felah Feyadh
Prime Minister advisor Beshar Nahar
Prime Minister spokesman Laith Kubba

----- COALITION FORCES STAY UNTIL IRAQIS READY -----

4. (C/NF) Jafari said Iraqi forces are growing stronger on the ground. He sensed that the terrorists are changing from car bomb attacks to attacks on infrastructure and now attacks on foreign ambassadors. More importantly, he said, help to Iraq on security issues now benefits not only Iraq. Rather, Iraq is on the front line of the larger war on terror; those who struck London were the same as those responsible for the murder of the Egyptian Ambassador in Baghdad and other terrorism in Iraq. Jafari mentioned in passing that he was facing questions from the National Assembly about his relations with the Coalition Forces and also the intelligence services. He said he would want to discuss these issues when Ambassador Khalilzad returns to Baghdad. (Comment: Later on July 12, Jafari addressed the National Assembly about his decision to ask the U.N. at the end of May to maintain the Coalition forces in Iraq. End Comment.)

5. (C/NF) Jafari said while there were some in Iraq calling for Coalition Forces to withdraw, the timing should in fact

be dictated by security conditions. He underlined the importance of coordination between the U.S. and the Iraqi Government on the issue of withdrawal. He also noted that the Prime Minister is the ultimate source of decision-making on security issues.

16. (C/NF) The Deputy Secretary assured the Prime Minister that the U.S. would not withdraw before the mission is completed, as the President had said. Decisions on the future of Coalition Forces would depend on circumstances on the ground. The U.S. would work with the Iraqi national security team to establish those conditions. The Deputy Secretary thanked the Prime Minister for appointing a lead

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Iraqi official for us to work with on that task. The Deputy Secretary also urged the Prime Minister to reach out to other

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Coalition countries and underline the value of their contributions. The Deputy Secretary also urged the Prime Minister to foster standing up the Iraqi forces by promoting officers on the basis of performance while also ensuring that Iraqi security forces remain under ultimate civilian control.

17. (C/NF) The Deputy Secretary recalled how the judicial system under the Saddam regime had been cruel and unjust. He encouraged the Prime Minister to work to build an independent, fair judicial system. He reminded the Prime Minister that this would also require building facilities. The Iraqi Government would gain in credibility if the Iraqi judiciary starts to review the cases of detainees now under Coalition control.

SYRIA: JAFARI AWAITS CONCRETE STEPS

18. (C/NF) The Prime Minister said there were fewer infiltrations of Saudi nationals over the Syrian borders, but the infiltrations were still a problem. He said he wanted to see the Syrian Government take practical steps to control the borders, crack down on former regime elements operating in Syria and return Iraqi assets. Jafari referred to meetings in June with Syrian Foreign Minister Shara in Brussels and the Syrian Ambassador in London and said the Syrians are saying they will meet Iraqi demands. Jafari said the Syrians want him to go to Damascus, and there are "serious efforts" underway to see if such a visit can happen. The Deputy Secretary cautioned the Prime Minister that the Syrians excel

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at making minimum concessions. The Syrian Government can control infiltration across the borders if it chooses. He urged the Prime Minister to maintain pressure and secure the maximum possible from the Syrians before any visit

USE CARE WITH IRAN

19. (C/NF) The Deputy Secretary commented as well that the U.S. understands that Iraq needs good relations with Iran. The U.S. by contrast has a difficult relationship with Iran. He urged the Prime Minister to move forward with care, ensuring that he can justify agreements as positively benefiting Iraq each time. This is important to sustain Iraq's credibility, he observed. The Deputy Secretary contrasted a potential deal enabling Iraq to buy badly needed electricity from Iran with an oil deal in southern Iraq whose benefits for Iraq were less obvious.

10. (S/NF) In a session following the larger meeting, attended only by the Deputy Secretary and Charge, the PM said that the Iranians had offered to arrange a meeting in Teheran with Syrian President Bashar al-Asad. Jafari said that he believed such a meeting would be useful as a means of beginning to improve Syrian-Iraqi relations, and would be better done outside Syria than in Damascus. Bashar, Jafari asserted, was different from the rest of the Syrian regime; but he is surrounded by bad elements like VP Khaddam and (former) Baath Party head al-Ahmar. Having approached Charge on the same issue the previous day through aide Laith Kubba and aware of strong USG reservations, Jafari was at pains to tell the Deputy Secretary that he would not want to do anything that would upset or anger the U.S.

11. (S/NF) The Deputy Secretary told Jafari that we understood Iraqi interest in improved relations with all its neighbors, including Iran and Syria. But especially in the case of Syria, it was important for Iraq to demand and receive concrete steps from Damascus - on action against insurgent elements and on Iraqi assets - before taking steps that would then be used by Syria to ease the pressure which the Deputy Secretary told Jafari the U.S. was continuing to apply. A meeting with Bashar al-Asad in Iran would be viewed

very negatively by the U.S., he made clear.

12. (S/NF) Jafari said he understood our message clearly. On Iran, he noted Defense Minister Dulaimi's recent visit (ref) and said that only limited, "very practical" steps on the security side were under discussion. The PM's own trip to Teheran, planned for July 16, would focus on commercial/economic issues. The Deputy Secretary said that we understood that there may be value in obtaining electricity from Iran, but we had concerns about the true economic value of some proposals being discussed regarding (possible barter) oil trade.

AND FROM JORDAN

13. (C/NF) The Prime Minister said he thought the Jordanian position on Iraq was improving. He contrasted King Abdallah's press remarks earlier this year about a Shia threat to the region with his remarks at a recent conference in Amman about Islam in which the King condemned terrorism and sectarianism. The Prime Minister hoped to see concrete steps from Jordan with respect to Iraqi assets and former regime elements there too. The Deputy Secretary suggested that King Abdallah wants to be helpful. Highlighting the King's remarks at the Amman conference on Islam, the Deputy Secretary urged Jafari to work with Abdallah and the Prime

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Minister of Malaysia, and others, to set a positive example of positive leadership among Muslim states.

HELP US WITH SUNNI ARAB STATES

14. (C/NF) Jafari asserted that the neighboring Sunni Arab states are basically hostile to the Shia-dominated government in Baghdad. It would have been better to have a Sunni Arab as president in Iraq to ease Sunni sensitivities, but history went another direction. Now Iraq needs American help to prevent interference from Sunni Arab states. Pointing to Saudi Arabia and the Gulf states, he said "Sunni" money goes to terrorists; "Sunni" media supports terrorist acts and Sunni clerics lend credibility to terrorists.

CONSTITUTION: A DEAL IS POSSIBLE

15. (C/NF) The Prime Minister thought the inclusion of more Sunni Arabs in the constitution committee would help reduce Sunni Arab support for terrorism as well. Jafari agreed with the Deputy Secretary that the document should not be too long and complicated. Jafari said he thought a deal with the majority of the Sunni Arabs on the committee is possible, but they were putting tough issues on the table:

-- their insistence on the Arab identity of the Iraqi state would irk the Kurds. Jafari said he personally agreed with the Sunni Arabs. Iraq's Foreign Minister is a Kurd and he sits in the Arab League meetings, Jafari observed. It would be difficult to say the Foreign Minister was not representing an Arab state when he does so.

-- their objection to federalism as potentially leading to the separation of Iraq was misplaced, Jafari opined. The Prime Minister said he thought the constitution should establish the principle of federalism but not provide too much operational detail. Jafari added that Iraq's current federalism is bad. The Kurds are able to oppress minorities in the Kurdish region with impunity.

-- their raising the role of Islam and the state was scaring minorities. Jafari said it would be important to secure minority rights in the constitution as it was done in the Transition Administrative Law (TAL).

-- their objection to government officials having dual nationality was not serious, Jafari opined.

-- their raising the status of the Baath party was more serious. Jafari said some Baathists were trying to secure the party's goals by lobbying members of the constitution committee. The TAL was clear: the Baath party is gone. Jafari said each individual Baath party member can be dealt with on the basis of his own history. Jafari opined most Iraqis would agree with this.

16. (C/NF) The Deputy Secretary congratulated the Prime Minister for convincing Sunni Arabs to join the constitution committee. He said the U.S. would urge them, and others, to stay on the timeline laid out in the TAL; issues would not get easier with a delay. He also asked the Prime Minister to

keep an eye on the election process itself. For example, if the committee decides to change the system of electing members to the National Assembly, it needs to make the decision in time for the right preparations to be made. The Deputy Secretary added that the independent election commission's credibility had been an important ingredient to the success of January 2005 elections, and he urged the Prime Minister to facilitate their work while respecting their independence.

ECONOMY: FOCUS ON BUDGET

¶17. (C/NF) Prime Minister Jafari told the Deputy Secretary that Iraq faced a difficult budget situation. In 2004, the government received USD 20 billion in revenues while its expenditures were USD 24 billion. In 2005, its revenues again would total around USD 20 billion, but expenditures would grow to USD 25 billion. The budget deficit therefore would grow from USD 4 to USD 5 billion. Meanwhile, delivery of essential services was not improving. Jafari said that he was anxious to increase private investment, and he had asked for American help.

¶18. (C/NF) The Deputy Secretary welcomed the Prime Minister's focus on the budget, and praised the abilities of the Iraqi Finance and Planning ministers. He urged Jafari to empower them. The Deputy Secretary highlighted the chance for the July 18-19 international conference in Jordan to mobilize support for Iraq. In September the IMF-World Bank meetings in Washington would be another opportunity to highlight Iraqi needs. The Deputy Secretary mentioned that he had recently met senior officials of the IMF and World Bank and found that they understood Iraq's special circumstances. What the organizations need to see is a coherent policy and plans for step by step reform, including steps to bring the fiscal picture into balance. The Deputy Secretary concluded that it would be important for the Iraqi

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Government to stick to its debt reduction agreement and avoid fiscal slippage.

¶19. (U) REO HILLAH, REO BASRAH, REO MOSUL, and REO KIRKUK, minimize considered.
Satterfield